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SUBJECT: ROMANIA: DEMARCHE ON FATF STATEMENTS AND IRAN

REF: STATE 115523

Classified By: Charge d'Affaires Jennifer Bonner for 1.4 (B) and (D).

¶1. (SBU) EconCouns delivered reftel demarche on Financial Action Task Force (FATF) statements on Iran to Cristina Mezdrea and Laura Gradinaru of the Office for Implementation of International Sanctions at the Ministry of Foreign Affairs (MFA) on November 3, and subsequently to Adrian Cosmescu, Deputy Director of the Bank Supervision Department of the National Bank of Romania (BNR) on November 6.

¶2. (C) The MFA officials said they would disseminate the FATF statements and guidance on UNSCR 1803 implementation to other relevant ministries within the Government of Romania (GOR). Mezdrea said that Romania fully supports restrictions on business with Iranian banking and financial institutions and that the GOR would adopt "strict implementation" of 1803 and of whatever additional sanctions on Iran, including financial, which result from the on-going sanctions review at the European Union level. Mezdrea explained that the GOR is not well-organized internally for coordinating and implementing sanctions policy and that MFA is attempting to play a more active coordinating role vis-a-vis other institutions, like the Ministry of Economy and Finance (MEF), which have actual implementation responsibilities. In this regard, an internal experts' group has been meeting to discuss revisions to the legal code needed to enable GOR authorities to apply sanctions more effectively, and MFA is hopeful these changes will be issued as an Emergency Ordinance by the Prime Minister's Cabinet prior to national parliamentary elections scheduled for November 30. Mezdrea cited a recent case in which banking authorities were able to freeze assets in a private bank account under existing sanctions law, but then could not agree internally on whether MEF or BNR had legal authority over disposition of the assets. The new emergency legislation is intended to clarify these kinds of discrepancies, she said.

¶3. (C) BNR Deputy Director Cosmescu said BNR would study carefully the suggested list in reftel of preventive measures to address financial sector risks connected with Iran. Cosmescu said that BNR exercises very strict oversight of banking sector transactions with Iran, but noted that no Iranian banks have a business presence in Romania and the level of transactions is extremely low. Cosmescu also observed that, to an extent, Romania has to rely on the vigilance of banking authorities in other EU countries since nearly 90 percent of Romania's banking sector is controlled by large European banks. Still, in light of the FATF statements and UNSCR 1803, Cosmescu agreed that added vigilance is required and said BNR would police this issue "very carefully."

BONNER